

Overview by the Provincial Auditor

1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its independent auditor. It makes the Provincial Auditor responsible for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, regional health authorities, school divisions, Crown corporations, commissions, benefit plans and funds, etc.

Under the Act, the Provincial Auditor reports to the Legislative Assembly on the results of all examinations, and highlights matters that require the attention of legislators.

This Report (Volume 1) includes the results of our examinations completed by April 22, 2016. Consistent with past reports, we have organized these results into three sections. In addition, we summarize activities related to our work of two key legislative committees. The following provides an overview of each section of the Report.

Annual Integrated and IT Security Audits

This section of the Report includes the results of annual integrated audits of agencies primarily with fiscal year ends between August 2015 and December 2015, and annual IT security audits.

Twenty-eight school divisions, seven crown corporations and agencies, and over forty pension and benefit plans have fiscal year-ends between these dates. See **Appendix 1**.

This section identifies concerns with financial-related controls at only seven agencies—five school divisions, a pension plan, and a ministry. It also identifies improvements in financial-related controls at five other agencies—four school divisions and one pension plan.

About one-third of financial-related concerns we report in this section relate to the need for better controls over the use of information technology (IT) (e.g., user access, disaster recovery plans).

Normally, this Report would include the results of the annual integrated audits of Crown Investments Corporation of Saskatchewan and its related subsidiaries (CIC crowns). This year, because of the change in fiscal year of CIC Crowns from December 31st to March 31st, their

Integrated audits are annual audits of agencies that examine:

- › The effectiveness of their financial-related controls to safeguard public resources with which they are entrusted
- › Their compliance with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- › The reliability of the financial statements for those agencies that prepare them

Financial-related controls (financial rules and procedures) include processes to plan, evaluate, and coordinate the financial activities of an agency. Effective controls help agencies achieve their objectives, and sustain and improve performance.

The term **annual IT security audits** describe audits of the effectiveness of an agency's processes and controls to secure IT systems and data.



annual audits are being done later than prior years. The *2016 Report – Volume 2* will include the results of these audits.

Central Services—Data Centre: The Ministry of Central Services implemented, in 2015, three of five recommendations we initially made three to nine years ago about the security of its data centre. However, significant security risks remain.

Ministries and some agencies (clients who receive IT services from Central Services) continue to use old IT applications. Many old IT applications will not work on newer and more secure operating systems. This makes doing security updates for known security risks more difficult. As such, these old IT applications present a higher risk of security breaches. These risks increase the importance of having strong security controls over accessing the data centre.

At December 2015, Central Services had not adequately secured all key servers and network equipment at the data centre. Firewalls at the data centre and certain client locations were not properly set up, or always updated for known weaknesses (vulnerabilities). In addition, Central Services did not have complete information about sensitivity of client data to make sure it placed highly sensitive data in an appropriately secure location.

In addition, as in prior years, it did not have a complete and tested disaster recovery plan for the data centre. This means, in the event of a disaster, government services may not be available when needed.

Performance Audits

This section of the Report includes the results of 12 performance audits covering a broad range of topics. For almost all of these audits, we examined the effectiveness of the processes the agency used. Below highlights audits that fall under the following three themes.

Performance audits take a more in-depth look at processes related to management of public resources or compliance with legislative authorities.

- › Protecting the environment and people from harm
- › Maintaining facilities
- › Keeping IT systems and data secure

Protecting the environment and people from harm:

Governments are responsible for protecting people from harm, and promoting and creating environments that support healthy behaviours. They are uniquely positioned to balance environmental, social, and economic interests.

While governments have a role in protecting the environment and people from harm, citizens must be aware and take responsibility for the environment and their own safety as well.

Environment—Preventing Aquatic Invasive Species in Saskatchewan: Aquatic invasive species pose a significant threat to our environment, and in turn, to our economy. The Ministry of Environment ranks Saskatchewan's risk of introduction as extremely high because Manitoba waters have zebra mussels, an aquatic invasive species (animal).

Aquatic invasive species can spread quickly. They can cause damage to water infrastructure like hydroelectric water intakes. Some attach themselves to pipelines impeding water flow. Once established, controlling and eradicating them is difficult and expensive.

Saskatchewan laws prohibit importing 19 species of fish (invasive aquatic animals) into Saskatchewan. The Ministry has identified the main ways for potential entry of these species into the province. At January 2016, Environment had not identified any aquatic invasive animals in the province.

Environment spends about a quarter of a million dollars each year on initiatives to prevent the entry of aquatic invasive species into the province. This amount is quite modest as compared to amounts spent by our neighbouring provinces.

At January 2016, Environment was in the early stages of formalizing its prevention and monitoring programs. While it had preventative and monitoring activities, it did not have risk-based strategies for them.

For instance, Environment had public education and awareness campaigns, but did not know if they were working. Its Conservation Officers can enforce both provincial and federal laws about aquatic invasive species; but only did a few inspections of watercraft in 2015. Environment identified other provincial agencies key to preventing and



detecting species, and leveraged some of them (e.g., Saskatchewan Parks) in its detection activities. However, it did not have agreements with them to secure their ongoing commitment or to help it have the long-term capacity to efficiently prevent and detect entry of invasive species.

Formalizing risk-based strategies would help secure longer-term commitment on what types of preventative and monitoring activities should be done each year, by whom, to what extent, and where.

Saskatchewan Government Insurance—Only Qualified Drivers Remain Licensed: Vehicle collisions have a significant impact. For those involved, personal injury collisions can greatly affect the quality of life; fatal collisions cause irreversible and immeasurable harm.

From 2010 to 2014, the number of licensed drivers in Saskatchewan increased by just over nine percent and personal injury costs increased by almost 50 percent. At December 2015, about 790,000 drivers had Saskatchewan driver's licences.

Saskatchewan Government Insurance (SGI) is responsible for issuing driver's licences to those eligible. Various Saskatchewan laws set out who is qualified to have a drivers licence in Saskatchewan. They also include provisions to help protect the driving public from unsafe drivers.

Other than a few areas, SGI did a good job of making sure only qualified drivers remain licensed.

It maintained complete and generally up-to-date driver records. These records included information from various law enforcement bodies (e.g., Ministry of Justice) and health care providers (e.g., physicians) about traffic offences and health issues affecting a driver's ability to drive safely.

It used its driver record IT system extensively. It actively monitored inexperienced drivers and experienced drivers. It disciplined drivers based on demerit points for driving offences (e.g., fines, additional training, and suspensions). Laws set some demerit points. Disciplinary actions aligned with the severity and number of driving offences.

The demerit points in the IT system did not agree to the law for one offence—a learner driver unaccompanied by an experienced licensed driver. This error occurred because SGI did not confirm changes to the law setting demerit points was in effect before it changed its IT system. We determined SGI had not imposed unwarranted disciplinary action or over charged these drivers.

Keeping up-to-date driver records avoids delays in disciplinary actions. The timing of SGI's entry of data into driver records was reasonable other than for out-of-province traffic offences (e.g., alcohol and drug related offenses). It entered these as time permitted instead of daily as for similar in-province offences.

Also, SGI needs to give its staff written guidance on a number of key areas (e.g., expected timeframes for completing evaluations of drivers, acceptable lengths of extensions granted to drivers). Written guidance communicates expectations clearly and fosters consistency.

Regina School Division No. 4—Promoting Positive Student Behaviour: Positive student behaviour is behaviour that is consistent with the educational goals of attending school and showing respect, responsibility, and readiness to learn. Saskatchewan laws make school divisions responsible for protecting students from an unhealthy learning environment. It gives them the ability to supervise and discipline students.

Regina Public used a broad array of initiatives to promote positive student behaviour in its 50 schools—41 elementary and 9 high schools. Some initiatives were division-wide; while others were designed for specific schools (e.g., high schools).

To improve its processes for promoting positive student behaviour at school, Regina Public needs to do the following. To help avoid repeating ineffective intervention strategies and ease monitoring, it needs to keep, in student files, consistent and accessible notes of decisions and steps taken to promote positive behaviour. Almost one-half of the student files we sampled (that should have had behaviour plans in them) did not. Also, these plans were not readily accessible.

Regina Public made both mandatory and optional training centrally available to staff on key division-wide initiatives. However, some staff at schools were confused as to what training was mandatory. To make sure sufficient number of trained staff are readily identifiable in the event of high-risk situations, it must communicate training expectations, and make lists of trained staff readily accessible at schools.

In addition, it needs to track and report to its Board the success of its key initiatives to promote positive student behaviour.

Maintaining facilities: Like all infrastructure, school facilities require maintenance to keep them safe and useable.

Prairie Spirit School Division No. 206—Maintaining Facilities: In 2015, Prairie Spirit spent almost \$18 million to operate and maintain 35 schools located in 26 communities, a division office, a school services building, and a bus garage.

The right maintenance at the right time prevents deterioration and minimizes the cost of the facilities over their useful lives. Improper or untimely facility maintenance can lead to not only higher costs but also potential health and safety problems for students and staff.

Prairie Spirit had not formalized its maintenance processes. It has focused its maintenance activities on keeping its facilities safe for students and its staff.

It did not have a written maintenance plan for all of its facilities. Such a plan would clearly define the level of maintenance needed, when, and at what cost over the short-, medium-, and long-term.

In common with other school divisions, it had a ministry-supplied electronic asset maintenance system. Yet Prairie Spirit did not keep complete or centralized information about its facilities and their related components (e.g., heating and cooling systems). In addition, it did not set out, in writing, the minimum maintenance information it expected staff to record or the nature, extent, and frequency of inspections it expected. Rather it relied on its experienced professional maintenance staff to identify maintenance needed and to do maintenance consistent with recognized standards.



In 2014, Prairie Spirit identified structural problems in over one-third of its schools. In January 2015, it estimated it would cost over \$20 million to fix these problems. However, it could not provide us with documents supporting about two-thirds of its estimated repair costs.

It routinely gave its Board reports on its facilities and maintenance. These reports focused primarily on maintenance projects underway or anticipated in the near term. It did not give reports on the condition of all facilities, timely completion of maintenance, and the nature and extent of all deferred maintenance along with its expected impact. This information would help the Board, the Ministry of Education, and public better assess its current maintenance, and necessary funding.

Keeping IT systems and data secure: Investing time and resources in IT security is critical to minimize the risk of security breaches of government systems and data.

About one-third of organizations self-reported they had experienced one or more IT security breaches in a 2014 SANS survey.

Central Services—Web Security Requirements: The Ministry of Central Services has a new IT security policy that aligns with best practices. But, at December 2015, its procedures and guidance were not sufficiently robust to guide the development and operation of secure ministry web applications.

Also, instead of a proactive approach to routinely testing the adequacy of security of ministry web applications, it relied on reporting of security incidences. Not doing routine tests increases the risk of not identifying higher-risk vulnerabilities before breaches occur.

With the Ministry’s co-operation, we tested the security of 18 ministry web applications—some of these applications were new (put in operation within the last two-three years); some contained confidential personal information. We found most of the 18 applications were not sufficiently secure.

Weaknesses in web applications can allow attackers to gain access to data and applications housed in the same location (e.g., network, or data centre). This increases the risk of compromised data and disruption of government services. Having comprehensive procedures and guidance would help ensure there is an organized and consistent approach to having strong IT security across ministries.

Social Services—Protecting Children-in-Care Information in the Linkin System: The Ministry of Social Services uses Linkin (a relatively new case management IT system) to help caseworkers provide services to almost 5,000 children in care and their families. Linkin includes sensitive personal information about these children, their families, and their care providers (e.g., foster homes).

When Social Services developed Linkin, it included features to help keep the Linkin system and its data secure. However, we found it is not doing enough to keep Linkin secure during its operation.

For instance, it updated Linkin for known system weaknesses (vulnerabilities) annually instead of quarterly (i.e., when updates were available). It was not aware that since August 2015, the database on which Linkin operates no longer receives security

updates from its vendor. Not having timely updates increases the system's susceptibility to breaches.

Social Services did not ensure prompt removal of unneeded user access to Linkin. For over one-half of 30 users with unneeded user access we tested, access was removed more than 10 working days after their last day of employ. Furthermore, Social Services last reviewed user access to Linkin in December 2013 instead of quarterly.

Other Performance Audits: The following is a quick recap of the other performance audits in the Report:

Finance—Monitoring the Fuel Tax Exemption Program: The Ministry of Finance needs to determine what each component of this almost \$156 million Program is designed to achieve (other than reducing taxes for eligible individuals and corporations). Among a few other things, it needs to give the public more information about its tax expenditure programs. For 2015-16, the Government expected to forego about \$3.9 billion of tax revenue through its various tax expenditure programs.

Gradworks Inc.—Achieving Intern Development Program Goals: Gradworks needs to verify that internship applicants possess the required educational program eligibility requirements. It also needs to report, to its partner employers and the public, what the Program achieved.

Justice—Leading the Building Partnerships to Reduce Crime Initiative: To better lead the Initiative, the Ministry of Justice needs to confirm participating agencies (e.g., policing services, health regions) accept and understand their role in facilitating earlier interventions to individuals and families with acutely elevated risks. It needs to give members of participating agencies more direction and tools to facilitate collaboration. It also needs to identify how to measure the success of the Initiative, and work with others on identifying and addressing systematic issues.

North East School Division No. 200—Increasing Grade 3 Students Reading at Grade Level: At June 2015, 66% of North East's Grade 3 students were reading at or above grade level as compared to 73% provincially. While it was doing many positive things, to increase its success in meeting the Education Sector Strategic Plan goal of 80% of Grade 3 students reading at grade level by 2020, North East needs to do the following. It needs to periodically evaluate whether its four different reading assessment tools provide teachers with the necessary information to increase student-reading levels. It also needs to work with other school divisions to develop additional guidance on exempting students from provincial reading level assessments. This would foster consistent exemption decisions.

Saskatchewan Cancer Agency—Delivering the Screening Program for Breast Cancer: The participation rate in Saskatchewan Cancer Agency's systematic population-based Screening Program has dropped by almost seven percent since 2012-13. The number of mammograms has remained relatively stable. To improve the effectiveness of its delivery of this Program, the Agency needs to do the following. It needs to evaluate the success of its promotional activities, and better engage physicians in increasing awareness of the Program. In addition, it needs to broaden its use of key quality indicators to enable analysis of the Program's success.



Saskatchewan Legal Aid Commission—Providing Legal Aid Services: The Commission handled over 14 thousand legal aid cases in 2014-15. To improve its provision of legal services to eligible clients, the Commission needs to do the following. It needs to keep up-to-date centralized information about its legal aid cases. This would ease monitoring of caseloads, and enable accurate reporting of its legal services. In addition, it needs to set out what it views as timely and quality legal aid services. This would enable it to better assess and report on its success.

Audit Follow-Ups

This section of the Report includes the results of 20 follow-ups. **Figure 1—Summary of Results of Audit Follow-Ups** summarizes the status of recommendations by agency-audit/study.

The Office remains impressed with the pace in which almost all agencies implement or work towards implementing recommendations. The Office found that agencies had implemented almost two-thirds of the recommendations it followed up, and were making good progress on implementing just over one quarter of the remaining. Three agencies—**Saskatchewan Immigrant Investor Fund Inc., Technical Safety Authority of Saskatchewan,** and **Water Security Agency**—implemented all of their recommendations within just two years.

Audit follow-ups are assessments of the sufficiency of actions taken to address recommendations made in our past performance audits, and those made by standing committees on Public Accounts and on Crown and Central Agencies from their review of our reports. We do the first follow-up either two or three years after our initial audit, and every two or three years thereafter until the recommendations are implemented.

In the Office's view, this high pace of implementation reflects a culture within most agencies of being receptive to making improvements.

In some cases, agencies may link the recommended changes with other initiatives either underway or planned, further study them, or decide to adopt them incrementally. This can slow the pace of change.

For instance, our follow-up of the 2013 Special Report on **Modernizing Government Budgeting and Financial Reporting** identified significant improvements in the Government's budgeting and financial reporting practices. Since 2013, the Government has appropriately focused its budget and financial reports on the government as a whole. It correctly stopped using information about the General Revenue Fund to explain its financial plans and results.

Because most of the recommendations in the 2013 Special Report focused on changing budgeting and financial reporting laws instead of practices, the Government's implementation of recommendations is low. The Government acknowledges changes to the laws are needed. Officials indicated they were determining potential legislative changes for the Government's consideration in the near term.

Embedding good budgeting and financial reporting practices into law helps ensure legislators and the public receive quality financial information on the Government's plans and actual results over the long term.

The **Social Services—Protection of Children in Care** follow-up noted compliance with the Ministry of Social Services' key child protection standards remains low. For example, for First Nations agencies, criminal record checks of all adults living in homes caring for a child were done only three-quarters of the time in 2014-15. Also, Ministry and related First Nations agency staff contacted a child within the first two days of placement less than one-half of the time in 2014-15.

In 2015-16, the Ministry decided to take an incremental approach to improving compliance with key child protection standards. Under the incremental approach, the Ministry and First Nations agencies with children in care have agreed to increase compliance rates by stated percentages each year until they achieve a compliance rate of 85%. Compliance with child protection standards help ensure children in care are in a suitable and safe environment.

Figure 1—Summary of Results of Audit Follow-Ups

| Chapter Name | Related Initial Report ^A | Number of Recommendations | Status of Recommendations | | | |
|--|--|---------------------------|---------------------------|-----------------------|-----------------|--------------------|
| | | | Implemented | Partially Implemented | Not Implemented | No Longer Relevant |
| Initial Follow-Ups | | | | | | |
| Modernizing Government Budgeting and Financial Reporting | 2013 Special Report | 11 | 3 | - | 8 | - |
| Economy—Nominating Qualified Immigration Applicants | 2013 Report – V1 | 5 | 3 | 1 | 1 | - |
| Government Relations—Safe Drinking Water in Northern Settlements | 2012 Report – V1 | 10 | 5 | 5 | - | - |
| Saskatchewan Apprenticeship and Trade Certification Commission—Enabling Apprentices to Achieve Certification | 2014 Report – V1 | 8 | 6 | 2 | - | - |
| Saskatchewan Immigrant Investor Fund Inc.—Operating HeadStart on a Home Program | 2014 Report – V1 | 1 | 1 | - | - | - |
| Saskatoon Regional Health Authority—Triageing Emergency Department Patients | 2013 Report – V2 | 8 | 2 | 5 | - | 1 |
| Sunrise Regional Health Authority—Infection Prevention and Control | 2014 Report – V1 | 10 | 6 | 4 | - | - |
| Technical Safety Authority of Saskatchewan—Inspecting Boilers and Pressure Vessels | 2014 Report – V1 | 9 | 9 | - | - | - |
| University of Regina—Procurement of Goods and Services and Disposal of Surplus Assets | 2013 Report – V2 | 18 | 14 | 4 | - | - |
| Water Security Agency—Regulating Public Wastewater Systems | 2014 Report – V1 | 4 | 4 | - | - | - |
| Initial Follow-Ups Subtotal | | 84 | 53 | 21 | 9 | 1 |
| Subsequent Follow-Ups^B | | | | | | |
| Education—School Instruction Time for Students | 2009 Report – V3 2011 Report – V2 2014 Report – V1 | 3 | 1 | 1 | 1 | - |
| eHealth Saskatchewan—Buying IT Services | 2010 Report – V1 2012 Report – V2 | 2 | - | 2 | - | - |
| eHealth Saskatchewan—Implementing Electronic Health Records | 2009 Report – V3 2012 Report – V2 | 4 | 3 | 1 | - | - |



| Chapter Name | Related Initial Report ^A | Number of Recommendations | Status of Recommendations | | | |
|--|--|---------------------------|---------------------------|-----------------------|-----------------|--------------------|
| | | | Implemented | Partially Implemented | Not Implemented | No longer Relevant |
| Environment—Regulating Air Emissions | 2004 Report – V1 2006 Report – V3 2009 Report – V3 2011 Report – V2 2013 Report – V1 | 3 | 3 | - | - | - |
| Highways and Infrastructure—Maintaining Bridges | 2011 Report – V1 2014 Report – V1 | 2 | 2 | - | - | - |
| Highways and Infrastructure—Maintaining Highways | 2010 Report – V1 2012 Report – V1 | 1 | 1 | - | - | - |
| Justice—Monitoring Municipal Policing | 2011 Report – V2 2013 Report – V2 | 4 | 4 | - | - | - |
| Prairie North Regional Health Authority—Granting Physician Privileges | 2011 Report – V1 2013 Report – V1 | 4 | 4 | - | - | - |
| Public Employees Benefits Agency—Securing Information Systems and Data | 2010 Report – V2 2014 Report – V1 | 1 | 1 | - | - | - |
| Social Services—Protection of Children in Care ^C | 2003 Report – V3 2008 Report – V3 2012 Report – V2 | 7 | 2 | 5 | - | - |
| Subsequent Follow-Ups Subtotal | | 31 | 21 | 9 | 1 | - |
| Overall Total | | 115 | 74 | 30 | 10 | 1 |

Source: Compiled by Provincial Auditor of Saskatchewan.

^A V – means Volume.

^B For “Subsequent Follow-Ups”, the “Number of Recommendations” is the number of recommendations that remained not implemented after the previous follow-up.

^C The related Report dates reflect the report in which one or more of the recommendations were first made. Our Office initially carried out this audit work in conjunction with its annual audit of the Ministry. Starting in 2015-16, the Office follows up these recommendations separate from the annual audit of the Ministry.

Legislative Committee Updates

This section includes two chapters—one on the Standing Committee on Public Accounts and another on the Standing Committee on Crown and Central Agencies. Each chapter provides an overview of the Committee’s role and responsibilities as they relate to the work of the Office.

Each Committee is charged with reviewing audit work of the Office. Both Committees report the results of their review (findings and recommendations) to the Legislative Assembly.

2.0 ACKNOWLEDGMENTS

The Office appreciates and thanks the staff and management of all government agencies along with their appointed auditors (if any) for the co-operation it received in the completion of the work included in this Report.

Also, as Provincial Auditor, I thank the dedicated professionals in the Office (see below) for their diligence and commitment. Only through their hard work can we fulfill our mission—*We promote accountability and better management by providing Legislators and the public with an independent assessment of the government’s use of public resources.*

In addition, Mobashar Ahmad, Deputy Provincial Auditor, recently retired from the Office after 36 years of service. In his capacity as Deputy Provincial Auditor—Health Division, he provided the health sector with sage audit advice. He also contributed greatly to the overall success of the Office and served the legislators and the Saskatchewan public well.

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